GOVERNMENT OF INDIA
POWER
LOK SABHA

UNSTARRED QUESTION NO:3698
ANSWERED ON:16.08.2001
NEW STRATEGY FOR CHEAPER POWER
ANANTRAO GUDHE

Will the Minister of POWER be pleased to state:

(a) whether the Government have taken fresh initiatives to chalk out to formulate new strategy for cheaper power to consumers;

(b) if so, the details thereof;

(c) the details of fresh reforms undertaken under consideration in power sector to achieve reduction in the cost of power generation, distribution and transmission, rural electrification, increasing share of hydel power generation ensuring transparency equipment and power purchase agreement (PPAS);

(d) whether the task force has submitted its report to the Government in this regard; and

(e) if so, the details thereof?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF POWER (SHRIMATI JAYAWANTI MEHTA)

(a) to (e) : In the context of the need to reduce the cost of power by the end users and to bring total transparency in the bidding process of power projects, the Government had set up an Inter Disciplinary Group under the Chairmanship of Special Secretary (Power), Ministry of Power. The IDG has submitted its report which has recommended variousshort term and long term measures in the areas of

? The project execution stage
? Bench marking of capital costs
? Operation and Maintenance of Power Plants
? Renovation and Modernisation of Power Plants
? Reduction of Transmission and Distribution losses
? Human Resource Development & Training.

The issues of reforms, rural electrification, transmission and distribution were discussed in depth in the Chief Ministers/Power Ministers Conference held in March,2001. The Resolutions which were adopted in the Conference are enclosed.As regards increasing the share of hydro power, the Government enacted a hydro policy, 1998 in order to encourage construction of hydro projects in the country.

ANNEXE

ANNEXE REFERRED TO IN REPLY TO PART (a) TO (e) OF UNSTARRED QUESTION NO. 3698 TO BE ANSWERED IN THE LOK SABHA ON 16.08.2001 REGARDING NEW STRATEGY FOR CHEAPER POWER

RESOLUTIONS OF THE CHIEF MINISTERS/ POWER MINISTERS CONFERENCE ON 3rd MARCH, 2001

I. The Chief Ministers/Power Ministers took note of the challenges confronting the Power Sector.It was agreed that there is urgent need to depoliticise power sector reforms and speed up their implementation. For this purpose, an all-party consensus needs to be created. The Prime Minister is requested to convene all- party meetings including leaders of opposition in State Assemblies.

II. The following Resolutions were adopted :

A. COMPLETING ELECTRIFICATION OF ALL VILLAGES AND HOUSEHOLDS

(i) Rural Electrification may be treated as a Basic Minimum Service under the Prime Minister`s Gramodaya Yojana;

(ii) Rural Electrification may be completed by the end of the 10th Plan i.e. by year 2007;

(iii) Full coverage of all households may be targeted for the end of the 11th Plan i.e. by year 2012.

(iv) For the attainment of full electrification, States may be given flexibility for using funds under Rural Development Programs with the consent of the Village/Block Panchayats for undertaking the task of electrification where it is required.

(v) It was agreed that electrification of remote villages in the States would need a special mode of financing including an element of grant.

B. DISTRIBUTION REFORMS

The real problem of management and the challenge of reforms lies in the distribution sector.

(i) Energy audit at all 11 KV feeders must be made effective within the next 6 months and accountability fixed at the local level.

(ii) An effective Management Information System for this purpose needs to be made operational.

(iii) On the basis of the above, an effective program needs to be launched for identifying and eliminating power thefts in the next 2 years.

(iv) Full metering of all consumers had been targeted for completion by December 2001. Special efforts should be made to complete the programme.

(v) The quality of power supplied especially in rural areas needs to be improved through the APDP and other programmes quickly;

(vi) Commercial viability has to be achieved in distribution in 2-3 years through any or all of the following -

- Creating Profit centres with full accountability
- Handing over of local distribution to Panchayats/Local Bodies/ Franchisees/Users Associations, wherever necessary.
- Privatisation of distribution
- Or any other means

(vii) Efforts by States, if necessary, at inviting private investment in the power sector need to be focussed towards the distribution sector.

(viii) Current operations on distribution would need to reach break even in two years and achieve positive returns thereafter.

C. TARIFF DETERMINATION BY REGULATORY COMMISSIONS AND SUBSIDIES

(i) State Electricity Regulatory Commissions may be made functional in the next six months andtariff filings made. Tariff orders issued by Central Electricity Regulatory Commission and StateElectricity Regulatory Commissionsneed to be implemented fully unless stayed or set aside by Court order. It is necessary to move away from the regime of providing free power.

(ii) Subsidies may be given only to the extent of State Government`s capacity to pay the subsidies explicitly through budget provisions.

(iii) The past decision of CMs of a minimum agricultural tariff of 50 paise may be implemented immediately.

D. GENERATION

(i) Special efforts need to be made to increase the PLF of existing plants through Renovation and Modernisation.

(ii) In the short run, there is no alternative to increase in public sector investment in generation, as large-scale private investment in generation would flow only after reforms succeed in restoring financial viability. The Centre and the States need to take suitable decisions regarding increase in outlays for the 10th Plan. Priority should be given for investments at those locations which produce the cheapest power specially for hydro projects and pit head thermal generation. CEAhas estimated the requirement for an additional

100,000 MW of generating capacity by 2012.

(iii) Where the States and Financial Institutions are in agreement about the need for development ofIPPs, they need to work together to achieve financial closure at the earliest. The Centre would facilitate the finalisation of reforms based multi-partite agreements.

(iv) The evolution of a National Grid for inter-regional transfer of power needs to be taken up on priority.

(v) Some provisions of the Forest Conservation Act may require to be revised for expeditious completion of power and other projects.

E. ENERGY CONSERVATION AND DEMAND SIDE MANAGEMENT

An effective program in the field of demand side management through - energy efficient bulbs, tube lights and agricultural pumpsets,

- time of the day metering and differential tariff for peak and off peak hours needs to be implemented with suitable mass awareness and extension efforts.

F. SUPPORT FROM GOVERNMENT OF INDIA

i) The Government of India would supportthe States in their reform efforts. This support would be linked to time bound power reform initiatives in the States and achievement of definite milestones towards restoration of financial viability.

ii) Interest rates of PFC and REC should be brought down to reflect market conditions.

iii) An Expert Group would be set up to recommend one time settlement of all power sector pastdues to CPSUs and dues from CPSUs to State Power Utilities. This would be linked to implementation of reforms with time bound milestones. The Group will give its report within three weeks of its constitution.

G. SUPPLY FROM CENTRAL GENERATING STATIONS

Continued supply of power from Central Generating Stations would have to be linked todemonstration of capacity to make payments for current purchases and securitisation of past dues.

H. HIGH LEVEL EMPOWERED GROUP

A High Level Empowered Group comprising of Minister of Power and Chief Ministers of someStates may be set up to coordinate, monitor and review the implementation of Reforms.